Examination Warrant Number 17-00920-13064-R1

Report of Examination of

United National Insurance Company
Bala Cynwyd, Pennsylvania

As of December 31, 2017

United National Insurance Company

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Harrisburg, Pennsylvania
January 22, 2019

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 17-00920-13064-R1, dated July 11, 2017, an examination was made of

United National Insurance Company, NAIC Code: 13064

a Pennsylvania domiciled multi-state, stock property and casualty insurance company, hereinafter referred to as the "Company" or "UNIC." The examination was conducted at the Company's home office, located at 3 Bala Plaza East, Suite 300E, Bala Cynwyd, Pennsylvania 19004.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was last examined as of December 31, 2012. This examination covered the five-year period from January 1, 2013 through December 31, 2017.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook").

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. Statements were prepared by management, and are therefore, the responsibility of management. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For the years 2013 and 2014, the certified public accounting ("CPA") firm of PricewaterhouseCoopers LLP ("PwC") of Philadelphia, Pennsylvania, provided an unqualified audit opinion on the Company's year-end financial statements based on statutory accounting principles. On August 24, 2015, the Company dismissed the CPA firm of PwC and engaged the CPA firm of Ernst & Young Global Limited ("EY"), effective immediately. As a result, the CPA firm of EY provided an unmodified audit opinion on the Company's year-end financial statements based on statutory accounting principles for the years 2015 through 2017. Relevant work performed by the CPAs, during their annual audits of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following companies were examined at the same time as part of a group coordinated examination led by Pennsylvania:

Company	State	NAIC Code
Penn-America Insurance Company	PA	32859
Penn-Star Insurance Company	PA	10673
Diamond State Insurance Company	IN	42048
American Reliable Insurance Company	AZ	19615
Penn-Patriot Insurance Company	VA	10121

HISTORY

The Company was incorporated on May 27, 1960, licensed by the Department on August 31, 1960, and commenced business on December 31, 1960.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382 (b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (b)(3) Ocean Marine, (c)(1) Fidelity and Surety, (c)(2) Accident and Health, (c)(3) Glass, (c)(4) Other Liability, (c)(5) Boiler and Machinery, (c)(6) Burglary and Theft, (c)(7) Credit, (c)(8) Water Damage, (c)(9) Elevator, (c)(10) Livestock, (c)(11) Auto Liability, (c)(12) Mine and Machinery, (c)(13) Personal Property Floater, and (c)(14) Workers' Compensation.

MANAGEMENT AND CONTROL

CAPITALIZATION

Pursuant to the Articles of Agreement, the capital stock authorized for the Company is 5,000,000 shares. As of the examination date, December 31, 2017, the Company's total capital was $147,922,779, consisting of 1,000,000 capital shares of issued and outstanding common stock with a par value of $5.00 per share amounting to $5,000,000; $20,000,162 in paid-in and contributed surplus; and $122,922,617 in unassigned funds (surplus).

The Company's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is $2,350,000 in capital and $1,175,000 in surplus. The Company has met all governing requirements throughout the examination period.

STOCKHOLDER

The Company is wholly owned by American Insurance Service, Inc. ("AIS"), a Pennsylvania insurance holding company. During the examination period, the Company declared the following dividend payments to its sole stockholder:

Year	Amount	Dividend Type	Payment
2013	$145,600,000	Extraordinary	Stock
2015	$ 35,000,000	Ordinary	Cash
2017	$ 17,800,000	Ordinary	Cash

All the dividends noted above were approved by the Board of Directors, paid within the existing regulatory guidelines, and properly reported to the Department. Dividends were considered ordinary or extraordinary based on the provisions of 40 P.S. § 991.1405(b)(1)(2)(i) and (ii). The Company obtained the approval of the Department for the extraordinary dividend noted above on January 17, 2014. The extraordinary dividend was paid from the Company's paid-in and contributed surplus in the amount of $115,383,000 and $30,217,000 was paid from unassigned funds (surplus).

INSURANCE HOLDING COMPANY SYSTEM

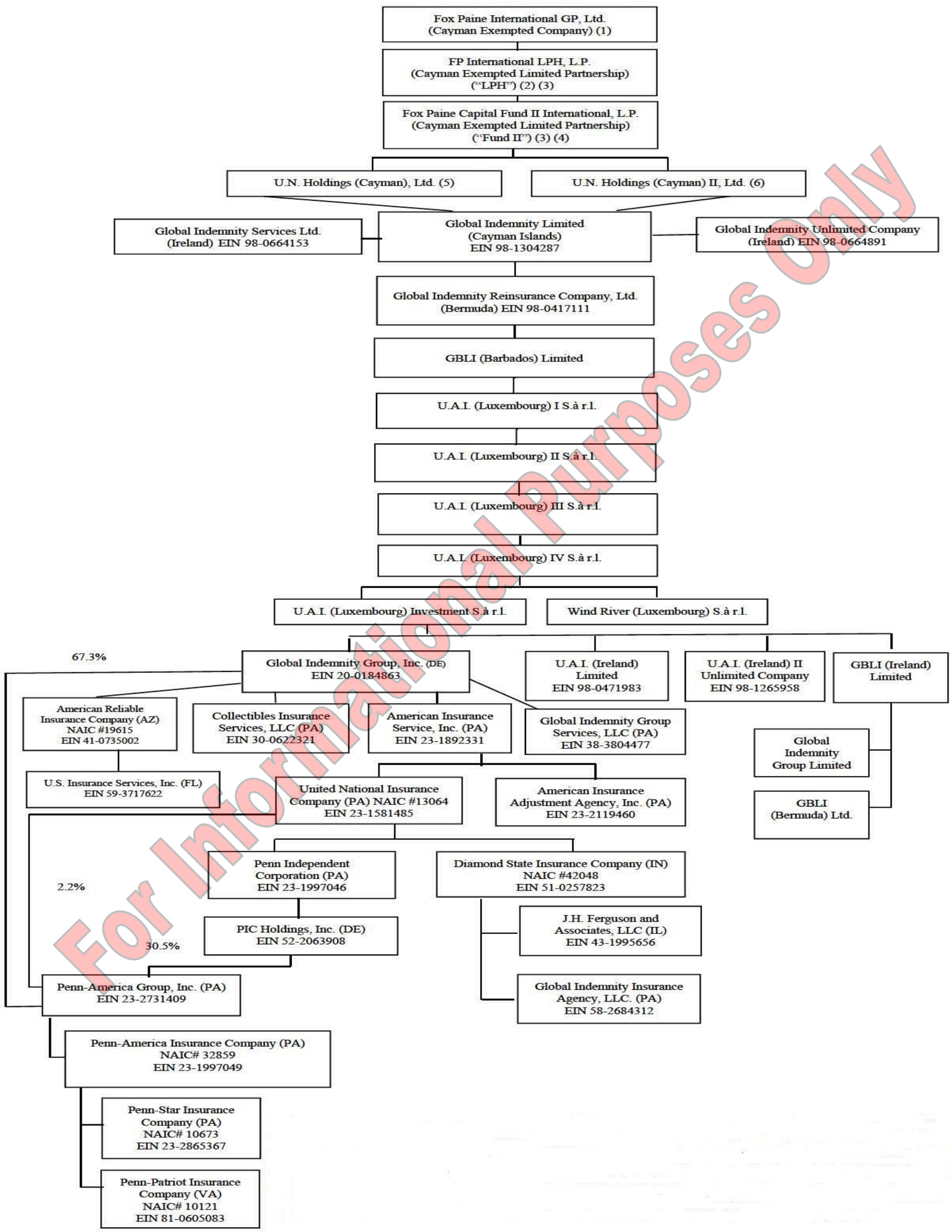
The Company is a member of an insurance holding company system in which it is a wholly owned subsidiary of AIS, an insurance holding company domiciled and incorporated in Pennsylvania.

The Company meets the requirements for filing an insurance company holding system annual registration statement ("Annual Registration Statement"), in accordance with 40 P.S. § 991.1404. The Company properly filed all required Annual Registration Statements with the Department during the examination period. The Annual Registration Statement for 2017 was filed on March 13, 2018 by the Company.

Fox Paine International GP, Ltd**.** ("Fox Paine"), a Cayman exempted company, is named as the ultimate controlling person in the holding company system. However, Fox Paine Capital Fund II International, L.P. was formed to be the beneficial owner of the holding company and is named as an intermediate controlling person and the financially responsible person.

Members of the holding company system as of December 31, 2017 include the following entities illustrated in the organizational chart and briefly described below:

ORGANIZATIONAL CHART



Global Indemnity Limited ("GBLI"), a public company formed on February 9, 2016 under the laws of the Cayman Islands, is named as an intermediate controlling person of the holding company, superseding its predecessor Global Indemnity plc, an Irish company, on November 7, 2016 per a scheme of arrangement. GBLI has shares that are traded publicly on the NASDAQ Global Select Market under the trading symbol "GBLI." Fox Paine controls approximately 84% of GBLI's voting power.

Global Indemnity Reinsurance Company, Ltd. ("GIRe"), a Bermuda company, is a wholly owned non-U.S. reinsurance operating subsidiary of GBLI. Prior to June 10, 2014, GIRe was titled Wind River Reinsurance Company, Ltd. GIRe primarily writes reinsurance for insurance and reinsurance companies through brokers and primary writers.

U.A.I. (Luxembourg) Investment S.à.r.l. is an indirect wholly owned subsidiary of GBLI and a private limited liability company incorporated under the laws of Luxembourg.

Global Indemnity Group, Inc. ("GIGI"), a U.S. insurance holding company domiciled in Delaware, is a wholly owned subsidiary of U.A.I. (Luxembourg) Investment S.à.r.l. GIGI is comprised of direct and indirect insurance and insurance-related subsidiaries. GIGI's wholly owned direct insurance subsidiaries are American Reliable Insurance Company ("ARIC") and AIS. GIGI's indirect insurance subsidiaries are UNIC and its direct and indirect operating subsidiaries, which include Diamond State Insurance Company ("DSIC"), Penn-America Insurance Company ("PAIC"), Penn-Star Insurance Company ("PSIC"), and Penn-Patriot Insurance Company ("PPIC").

GIGI is regarded as the group supervisor of GBLI's six U.S. operating insurance subsidiaries; UNIC, DSIC, PAIC, PSIC, PPIC, and ARIC, which are collectively referred to as the Global Indemnity Group ("GIG") for U.S. statutory reporting purposes. Annually, the combined data of GIG is compiled and filed in accordance with 31 Pa. Code § 147.7 and NAIC requirements.

DSIC is an Indiana domiciled, stock property and casualty company. DSIC was incorporated under the laws of the State of Delaware on February 20, 1981 and commenced business on April 1, 1982. Effective July 13, 1993, DSIC re-domesticated from the State of Delaware to the State of Indiana. DSIC is a wholly owned subsidiary of UNIC. DSIC primarily writes commercial multiple peril, homeowners, and inland marine insurance for large commercial businesses.

During the examination period, DSIC sold two of its wholly owned subsidiaries, United National Casualty Insurance Company ("UNCIC") and United National Specialty Insurance Company ("UNSIC") to unrelated parties.

On December 31, 2013, DSIC sold all the outstanding shares of capital stock of UNCIC to CGB Enterprises, Inc., a Louisiana corporation. The transaction was approved by the Indiana Department of Insurance on December 13, 2013.

On September 30, 2016, DSIC sold all the outstanding shares of capital stock of UNSIC to State National Insurance Company, Inc., an insurance company domiciled in Texas. The transaction was approved by the Wisconsin Department of Insurance on September 28, 2016.

PAIC is a Pennsylvania domiciled, stock property and casualty company. PAIC was incorporated under the laws of Pennsylvania on December 23, 1975, licensed by the Department on May 18, 1976, and commenced business on April 21, 1976. PAIC is a wholly owned subsidiary of Penn-America Group, Inc., an insurance holding company domiciled and incorporated in Pennsylvania, which is which is directly owned by GIGI (67.3%), PIC Holdings, Inc. (DE) (30.5%) and UNIC (2.2%). PAIC primarily writes property and general liability insurance for small commercial businesses.

PSIC is a Pennsylvania domiciled, stock property and casualty company. PSIC was incorporated under the laws of Pennsylvania on November 8, 1996, licensed by the Department on February 21, 1997, and commenced business on January 8, 1997. PSIC is a wholly owned subsidiary of PAIC. PSIC primarily writes commercial multiple peril and general liability insurance for small commercial businesses.

PPIC is a Virginia domiciled, stock property and casualty company. PPIC was incorporated under the laws of Virginia on February 20, 2003 and commenced business on April 6, 2005. PPIC is a wholly owned subsidiary of PAIC. PPIC primarily writes property and general liability insurance for small commercial businesses.

ARIC is an Arizona domiciled, stock property and casualty company. ARIC was incorporated under the laws of Minnesota on July 17, 1952 and commenced business on August 4, 1952 as American General Insurance Company of Minnesota. In 1955, the current name was adopted. Effective June 1, 1994, ARIC re-domesticated from Minnesota to Arizona. On January 1, 2015 ARIC was acquired by GIGI from Assurant, Inc. and became part of the insurance holding company system. ARIC primarily writes specialty property and agriculture insurance coverages.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2017:

Name and Address	Principal Occupation
Raphael L. de Balmann San Rafael, California	Portfolio Manager Bretton Capital Management
David C. Elliott Wenonah, New Jersey	Senior Vice President, Claims Global Indemnity Group, Inc.
Seth J. Gersch San Francisco, California	Co-Owner, Eclipse Assets, LLC Manager, Foundation BOD, LLC
Bruce R. Lederman Pacific Palisades, California	Managing Member, Palisades INV GRP, LLC Member, Fowler Radio Group, LLC General Partner, ZHL Investments, L.P.
Michael P. Loftus Phoenixville, Pennsylvania	Vice President & General Auditor Global Indemnity Limited
Thomas M. McGeehan King of Prussia, Pennsylvania	Executive Vice President & Chief Financial Officer Global Indemnity Limited

Matthew B. Scott Berwyn, Pennsylvania	Executive Vice President, Commercial Lines Global Indemnity Group, Inc.
Cynthia Y. Valko Collegeville, Pennsylvania	Chief Executive Officer Global Indemnity Limited

The Company's by-laws specify that the Board shall consist of not less than seven nor more than fifteen persons. The composition of the Board meets the requirements of 40 P.S. § 991.1405(3)(i).

Board members are elected at the annual meeting of the shareholder and hold office until the next annual meeting or until their successors are duly elected and qualified.

GBLI has a Code of Business Conduct and Ethics policy that applies to all directors, officers, and employees of GBLI and its subsidiaries, which includes the Company. The policy includes a provision that requires disclosure of conflicts or potential conflicts of interest by all directors, officers, and employees. Directors, officers, and key employees are required to complete a Conflict of Interest questionnaire annually. Mandatory ethics training is supplied annually to each employee.

COMMITTEES

As of the examination date, December 31, 2017, the following committees, each consisting of two or more directors, were appointed by the Board and serving in accordance with the Company's by-laws:

Executive Committee
Seth J. Gersch
Thomas M. McGeehan
Cynthia Y. Valko

Finance Committee
Seth J. Gersch
Thomas M. McGeehan
Cynthia Y. Valko

Independent Committee
Seth J. Gersch
Raphael L. de Balmann
Bruce R. Lederman

To gain efficiencies when performing overlapping Board processes, the Company has interlocking directorates with its subsidiaries: PAIC, PSIC, and PPIC. As a result, the same Board members serve and compose the Board of Directors and board committees of these companies as well.

In addition to its Board and board committees, the Company receives independent oversight from GBLI's Board of Directors and board committees, which were predominantly comprised of independent directors as of December 31, 2017, for more in-depth governance over operational and strategic matters. GBLI's board committees include an Audit Committee, Executive Committee, Investment Committee, Enterprise Risk Management Committee, Section 162(m) Committee, Compensation Committee, and a Nominating & Governance Committee.

The committees designated by the Board are in compliance with the board committee membership requirements of 40 P.S. § 991.1405(c)(3), (4), and (4.1).

OFFICERS

As of the examination date, December 31, 2017, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
Matthew B. Scott	Executive Vice President, Commercial Lines
Stephen W. Ries	Assistant Vice President, Senior Corporate Counsel and Secretary
Thomas M. McGeehan	Chief Financial Officer & Treasurer
Thomas P. Gibbons	Senior Vice President & Chief Actuary
William E. Devlin Jr.	Executive Vice President, Personal Lines & Agriculture
David C. Elliott	Senior Vice President, Claims
Caroline M. Tate	Senior Vice President, Human Resources
Brian J. Riley	Vice President, Finance & Controller

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meeting of the Company's stockholder was held in compliance with its by-laws.
- The stockholder elects directors at such meetings in compliance with the by-laws.
- The stockholder ratified the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Company's investment transactions are approved by the Board as necessary.
- All directors attend Board meetings regularly.
- The Company's Board meeting minutes reflect approval of reinsurance contracts.

ARTICLES OF AGREEMENT

There were no changes or amendments to the Company's Articles of Agreement that occurred during the examination period.

BY-LAWS

The Company amended its by-laws during the examination period. Pursuant to director and shareholder consents, both dated May 28, 2013; Article V, Section 1, of the Company's by-laws was amended to specify that in the absence of a President, the directors shall appoint an Executive Vice President to fulfill the duties of the President. Additionally, pursuant to director and shareholder consents, both dated November 24, 2014, the Company's by-laws were amended and restated to provide greater corporate flexibility and to modernize its by-laws. All amendments were properly reported and filed with the Department.

SERVICE AND OPERATING AGREEMENTS

The Company is a party to various service and operating agreements, including an intercompany and tax sharing agreement. The following significant agreements were in place during the examination period:

Cost Allocation Agreement

The insurers within the holding company system, including the Company, participate in a cost allocation agreement, first entered into on January 25, 2005, among themselves and with their non-insurance affiliates of GBLI including: GIGI, AIS, UNIC, DSIC, PAIC, PSIC, PPIC, ARIC, American Insurance Adjustment Agency, Inc., a Pennsylvania Corporation ("AIAA"); Global Indemnity Insurance Agency, LLC, a Pennsylvania Limited Liability Company ("GIAA"); J.H. Ferguson and Associates, LLC, an Illinois Limited Liability Company ("Ferguson"); Penn-America Group, Inc., a Pennsylvania Corporation ("PAG"); Penn Independent Corporation, a Pennsylvania Corporation ("PIC"); Global Indemnity Group Services, LLC, a Pennsylvania Limited Liability Company; Collectibles Insurance Services, LLC, a Pennsylvania Corporation; PIC Holdings, Inc., a Delaware Corporation; and U.S. Insurance Services, Inc., a Florida Corporation ("USIS"). The parties have agreed to share in the purchase of certain goods and services from third parties and to allocate such expenses in a fair and equitable manner.

During the examination period, the following amendments were made to the cost allocation agreement:

- Effective December 31, 2013, UNCIC was deleted as a party to the agreement.
- Effective January 1, 2014, PIC Holdings, Inc. was added as a party to the agreement.
- Effective January 1, 2015, ARIC and USIS were added as parties to the agreement.
- Effective December 1, 2015, the cost allocation agreement was amended and restated to bring the agreement into compliance with new Pennsylvania and Indiana requirements.

- Effective September 30, 2016, the agreement was amended to delete UNSIC as a party to the agreement.

Tax Sharing Agreement

The Company is party to a tax sharing agreement dated January 24, 2005, by and among the affiliates of GIGI. Under the tax sharing agreement, the federal tax liability determined at the end of the taxable year of any individual insurer member of the affiliated group will not be more than it would have paid if it had filed on a separate return basis. Intercompany tax balances are settled with payments made within thirty days of the filing of the affiliated group's consolidated return and refunds are paid within thirty days after receipt of any tax refund.

During the examination period, the following amendments were made to the tax sharing agreement:

- Effective December 31, 2013, UNCIC was deleted as a party to the agreement.
- Effective January 1, 2014, PIC Holdings was added as a party to the agreement.
- Effective January 25, 2015, ARIC and USIS were added as a party to the agreement.
- Effective December 1, 2015, the tax sharing agreement was amended and restated to bring the agreement into compliance with new Pennsylvania and Indiana requirements.
- Effective September 30, 2016, UNSIC was deleted as a party to the agreement.

These intercompany agreements were determined to be fair and reasonable and meet the requirements of 40 P.S. § 991.1405(a)(1)(i). This agreement was amended effective December 31, 2018. See the Subsequent Events section of this report.

REINSURANCE

The Company's reinsurance program includes excess of loss, quota share, surplus share, casualty clash, property catastrophe, and facultative agreements. All reinsurance agreements were determined to have the proper insolvency, entire contract, arbitration, and intermediary clauses as required by the Statement of Statutory Accounting Principles ("SSAP") No. 62R, paragraph 8 and 40 P.S. § 443(a)(2). In addition, these agreements were found to include language that properly transfers risk as required by SSAP No. 62R.

The Company obtains these coverages through its reinsurance intermediary, Guy Carpenter & Company, LLC ("Guy Carpenter"), third party reinsurers, and through agreements with its affiliated reinsurer, GIRe. As of December 31, 2017, it was determined that Guy Carpenter is licensed by the Department as required by 40 P.S. § 321.2(a) and a properly executed written authorization between the Company and Guy Carpenter is in effect as required by 40 P.S. § 321.3.

The Company is also a party to an inter-company pooling agreement with its insurer subsidiaries and affiliates in which it is designated as the "Lead Company." It was determined that this agreement meets the requirements of 40 P.S. § 991.1405.

A general overview of the Company's reinsurance program is provided below.

CEDED

The Company ceded reinsurance under various contracts. A description of material contracts in effect as of December 31, 2017, through which the Company ceded significant risk are as follows:

Non-Affiliated Reinsurance

Property Catastrophe Excess of Loss Reinsurance Contract

Effective June 1, 2017, the Company obtained reinsurance under a property catastrophe excess of loss treaty with multiple reinsurers brokered through Guy Carpenter and procured directly by the Company. The treaty provides occurrence coverage for losses of $260.0 million in excess of $40.0 million through two layers for business classified as property. The first layer of coverage provided $60.0 million in excess of $40.0 million in which participation among the brokered and direct reinsurers was 80.0% and 20.0%, respectively. The second layer of coverage provided $200.0 million in excess of $100.0 million in which participation among the brokered and direct reinsurers was 80.0% and 20.0%, respectively. The treaty provides for one full reinstatement of coverage at 100.0% additional premium as to time and pro rata as to the amount of limit reinstated. This replaced the treaty which expired on May 31, 2017 and provided occurrence coverage for losses of $280.0 million in excess of $20.0 million.

Location-Specific Quota Share Reinsurance Contract

Effective May 1, 2017, the Company entered into a quota share agreement with two reinsurers brokered through Guy Carpenter. The agreement authorizes the cession of 50.0% of net underwriting results for certain Personal Lines products in certain states, subject to an occurrence limit of $50.0 million for property coverages and $1.5 million for casualty coverages. This replaced an identical agreement which expired on April 30, 2017.

Catastrophe Quota Share Reinsurance Contract

Effective April 15, 2017, the Company entered into a quota share agreement with two reinsurers brokered through Guy Carpenter. The agreement authorizes the cession of 50.0% of all property catastrophe losses with a $3.0 million deductible, subject to an occurrence limit of $40.0 million and an aggregate limit of $120.0 million.

Property Per Risk Excess of Loss Reinsurance Contract

During the examination period, the Company entered into an excess of loss treaty with multiple reinsurers brokered through Guy Carpenter. The agreement had an effective date of January 1, 2017 and expired on December 31, 2017. The treaty provided coverage in three sections: 80.0% of $4.0 million per risk in excess of $1.0 million per risk for all business except the property brokerage unit and business written by ARIC, 100.0% of $4.0 million per risk in excess of $1.0 million per risk for ARIC, and 75.0% of $8.0 million per risk in excess of $2.0

million per risk for property brokerage business. The expired treaty also provided coverage of 100.0% of $20.0 million per risk in excess of $10.0 million per risk and 100.0% of $20.0 million per risk in excess of $30.0 million per risk for property brokerage business.

Casualty and Professional Liability Excess of Loss Reinsurance Contract

During the examination period, the Company was reinsured under a casualty and professional liability excess of loss treaty with multiple reinsurers brokered through Guy Carpenter. The treaty had an effective date of October 1, 2016 and expired on January 1, 2018. The casualty section of the treaty provided coverage for 50.0% of $2.0 million per occurrence in excess of $1.0 million per occurrence for general liability and automobile liability. The professional liability section of the treaty provided coverage for 50.0% of $4.0 million per policy/occurrence in excess of $1.0 million per policy/occurrence. For both sections, the Company retained 50.0% per occurrence/policy, where applicable. For both sections, allocated loss adjustment expenses were included within limits. This treaty was replaced with the Casualty Excess of Loss reinsurance contract.

Casualty Clash Excess of Loss Reinsurance Contract

Effective October 1, 2016, the Company renewed its casualty clash excess of loss treaty with multiple reinsurers brokered through Guy Carpenter. The treaty provided coverage of $10.0 million per occurrence in excess of $3.0 million per occurrence, subject to an aggregate limit $20.0 million limit for all loss occurrences. This treaty was terminated effective December 31, 2017 and replaced with the Casualty Excess of Loss reinsurance contract.

Casualty Excess of Loss Reinsurance Contract

Effective January 1, 2018, the Company entered into a casualty excess of loss treaty with a reinsurer brokered through Guy Carpenter and a reinsurer procured directly by the Company. The treaty provides coverage of $10.0 million per occurrence in excess of $2.0 million per occurrence for all casualty lines of business, subject to an aggregate limit of $20.0 million. The Company retains $2.0 million.

Affiliated Reinsurance

Net Retained Insurance Liability Quota Share Reinsurance Contract

Effective January 1, 2016, the Company amended the Net Retained Insurance Liability Quota Share Reinsurance Contract (GIRe Quota Share) with its Non-U.S. insurance affiliate, GIRe. Under the GIRe Quota Share, the Company ceded 40.0% of the net unearned premiums as of December 31, 2015 plus 40.0% of the net retained insurance liability of all new and renewal business bound on or after January 1, 2016 to GIRe. Prior to January 1, 2016, the Company ceded 50.0% of net insurance liability of new and renewal business bound January 1, 2007 and later to GIRe. The GIRe Quota Share had exclusions for Workers' Compensation policies and Named Storms. The GIRe Quota Share was terminated effective January 1, 2018. See the Subsequent Events section of this report.

INTERCOMPANY POOLING

Effective January 1, 2009, each of the U.S. insurance subsidiary companies of GIGI participate in an intercompany arrangement (“Reinsurance Pooling Agreement”), whereby UNIC is the Lead Company. The Reinsurance Pooling Agreement was amended three times during the examination period.

Amendment No. 1, effective January 1, 2013, replaced each reference of United America Insurance Group with Global Indemnity Insurance Group, removed UNCIC as a party to the contract, and updated the pool members and their assigned percentage of the total pool. Amendment No. 2, effective January 1, 2015, added ARIC as a party to the contract and updated the pool members and their assigned percentage of the total pool. Amendment No. 3, effective July 1, 2016, removed UNSIC as a party to the contract and updated the pool members and their assigned percentage of the total pool.

Under the terms of the Reinsurance Pooling Agreement, each of the insurers cede 100.0% of their premium and liabilities to UNIC net of third-party reinsurance. The Company then retrocedes pooled business, net retained premiums, and net retained liabilities to the pool members in the following fixed participation percentages:

United National Insurance Company (Lead Company)	30.0%
American Reliable Insurance Company	25.0%
Penn-Star Insurance Company	16.0%
Diamond State Insurance Company	12.0%
Penn-America Insurance Company	10.0%
Penn-Patriot Insurance Company	7.0%

Pool members are required to provide activity statements to the Lead Company within forty-five days of the close of a mutually agreed upon period. Pool members are required to pay all amounts shown to be due to the other parties within fifteen days of receipt of the statement. This agreement was amended effective December 31, 2018. See the Subsequent Events section of this report.

ASSUMED

Apart from the intercompany Reinsurance Pooling Agreement described above, the Company did not assume any significant reinsurance during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company is licensed in North Carolina and Pennsylvania as an admitted insurer, and primarily operates as an excess and surplus lines carrier in the forty-eight other states and the District of Columbia.

GBLI's multi-channel distribution network consists of international and U.S. operations. After the acquisition of ARIC on January 1, 2015, GBLI modified the structure of its business from two to three segment management: Commercial Lines, Personal Lines, and Reinsurance Operations. The international operations of GIRe comprises the Reinsurance Operations segment. The U.S. operations consists of six insurance companies: UNIC, DSIC, PAIC, PSIC, PPIC, and ARIC, which operate and manage their business through the Commercial Lines and Personal Lines business segments.

The Commercial Lines segment distributes property and casualty insurance products through a group of professional general agencies that have limited quoting and binding authority, as well as many wholesale insurance brokers who in turn sell their insurance products to insureds through retail insurance brokers. The Commercial Lines segment operates primarily in the excess and surplus marketplace to provide coverage for specialty risks, programs, and niches that are generally not offered by standard insurance and reinsurance companies. UNIC distributes property, general liability, and professional lines products through program administrators with specific binding authority under this business segment. DSIC, PAIC, PSIC, and PPIC distribute insurance products under the Commercial Lines business segment as well.

The Personal Lines segment distributes property and casualty insurance products primarily through retail agents and wholesale general agents with specific binding authority via ARIC. The Personal Lines segment operates primarily in the admitted market. Under this business segment, ARIC provides specialty products and agricultural coverage.

Each of these business segments targets specific markets and distribution channels, providing the insurance holding company with opportunities and flexibility in conducting business.

UNIC's primary lines of business are commercial multiple peril, other liability - occurrence, homeowners multiple peril, auto physical damage, fire, and allied lines.

The following table illustrates the premium distribution by line of business as of December 31, 2017:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
December 31, 2017				
Fire	$ 41,603,415	$ 34,351,171	$ 7,252,244	10.2%
Allied lines	24,061,949	20,027,630	4,034,319	5.7%
Farmowners multiple peril	465,578	325,904	139,674	0.2%
Homeowners multiple peril	32,194,683	23,202,116	8,992,567	12.6%
Commercial multiple peril	88,872,817	64,158,477	24,714,340	34.7%
Ocean marine	2,059,554	1,441,688	617,866	0.9%
Inland marine	16,179,578	12,413,597	3,765,981	5.3%
Earthquake	3,913,506	3,214,306	699,200	1.0%
Other liability - occurrence	40,964,822	30,057,142	10,907,680	15.3%
Other liability - claims-made	1,352,024	1,110,164	241,860	0.3%
Products liability - occurrence	5,172,235	3,773,366	1,398,869	2.0%
Private passenger auto liability	336,976	235,883	101,093	0.1%
Commercial auto liability	3,526,087	2,468,261	1,057,826	1.5%
Auto physical damage	26,048,042	18,647,172	7,400,870	10.4%
Totals	$ 286,751,266	$ 215,426,877	$ 71,324,389	100.0%

SIGNIFICANT OPERATING RATIOS AND TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis and encompass the five-year period covered by this examination.

	Amount	Percentage
Premiums earned	$ 291,533,950	100.0 %
Losses incurred	$ 161,693,303	55.5 %
Loss expenses incurred	44,937,478	15.4 %
Other underwriting expenses incurred	112,042,009	38.4 %
Net underwriting gain or (loss)	(27,138,840)	(9.3)%
Totals	$ 291,533,950	100.0 %

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2017	2016	2015	2014	2013
Admitted assets	$ 338,522,177	$ 426,777,186	$ 473,074,710	$ 380,709,502	$ 548,507,297
Liabilities	$ 190,599,398	$ 248,613,603	$ 299,927,255	$ 184,833,926	$ 352,164,677
Surplus as regards policyholders	$ 147,922,779	$ 178,163,582	$ 173,147,454	$ 195,875,574	$ 196,342,621
Gross premium written	$ 286,751,266	$ 312,193,621	$ 323,131,922	$ 134,051,462	$ 133,111,697
Net premium written	$ 71,324,389	$ 80,774,943	$ 80,539,419	$ 40,270,137	$ 40,974,287
Underwriting gain/(loss)	$ (15,236,284)	$ (6,670,619)	$ 6,362,267	$ (5,988,113)	$ (5,606,091)
Investment gain/(loss)	$ 32,301,162	$ 5,025,399	$ 12,664,277	$ 40,886,116	$ 111,005,371
Other gain/(loss)	$ (409,949)	$ 2,673,083	$ (184,485)	$ (499,847)	$ (175,759)
Net income	$ 21,049,193	$ 549,881	$ 14,010,284	$ 35,074,377	$ 106,022,869

PENDING LITIGATION

The Company is involved in various legal proceedings arising from its normal course of business. The Company is not a party to any current or pending legal proceedings that might have a material adverse effect on the Company's business, results of operations, or financial condition as of the date of this examination report.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2017, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
Comparative Statement of Income;
Comparative Statement of Capital and Surplus; and
Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2017

	2017	2016	2015	2014	2013
Bonds	$ 205,373,417	$ 233,826,860	$ 255,467,889	$ 224,619,217	$ 102,605,604
Common stocks	59,168,659	90,066,252	85,482,822	87,867,073	286,760,036
Cash, cash equivalents, and short term investments	50,908	15,072,021	19,020,526	8,765,528	12,679,419
Receivable for securities	2,450	1,421	2,437	7,601	539,899
Subtotals, cash and invested assets	264,595,434	338,966,554	359,973,674	321,259,419	402,584,958
Investment income due and accrued	1,235,149	1,331,726	1,638,181	1,368,017	82,104,004
Premiums and agents' balances due	29,321,760	26,266,939	55,185,775	33,709,655	30,190,906
Amounts recoverable from reinsurers	12,318,882	37,692,887	35,958,941	15,469,249	21,247,083
Funds held by or deposited with reinsured companies	6,626,507	149,258	6,751,181	751,250	680,890
Current federal and foreign income tax recoverable and interest thereon	893,662	0	0	0	0
Net deferred tax asset	3,255,049	4,489,966	4,470,374	3,853,764	0
Receivable from parent, subsidiaries and affiliates	19,697,790	17,239,124	7,964,003	3,769,307	9,450,578
Aggregate write-ins for other than invested assets	577,944	640,731	1,132,580	528,840	2,248,879
Total	$ 338,522,177	$ 426,777,185	$ 473,074,709	$ 380,709,501	$ 548,507,298
Losses	$ 58,645,678	$ 53,769,030	$ 58,027,052	$ 69,003,538	$ 69,946,279
Reinsurance payable on paid loss and loss adjustment expenses	13,927,926	11,892,667	36,156,415	14,246,552	16,936,144
Loss adjustment expenses	25,857,816	27,011,282	28,533,157	30,235,936	33,028,888
Commissions payable, contingent commissions and other similar charges	4,110,985	1,695,000	1,761,000	2,256,000	2,067,000
Other expenses	73,619	99,122	215,058	315,825	640,354
Taxes, licenses and fees	68,017	54,862	107,373	70,048	50,711
Current federal and foreign income taxes	0	380,459	1,349,092	112,920	3,787,846
Net deferred tax liability	0	0	0	0	9,363,403
Unearned premiums	37,987,810	37,723,669	33,790,090	19,478,946	19,119,038
Dividends declared and unpaid:					
Stockholders'	0	35,000,000	35,000,000	0	145,600,000
Ceded reinsurance premiums payable (net of ceding commissions)	13,149,628	12,359,717	43,339,186	22,497,546	20,462,867
Funds held by company under reinsurance treaties	43,251	39,681	79,838	44,316	506,619
Amounts withheld or retained by company for account of others	1,676,590	1,689,321	1,718,331	1,686,590	1,687,849
Remittances and items not allocated	3,239,714	2,817,859	8,257,089	1,661	1,807,685
Provision for reinsurance	3,851,587	4,379,409	3,332,891	3,419,060	3,576,069
Payable to parent, subsidiaries and affiliates	22,190,349	49,970,751	35,960,822	15,717,478	13,859,225
Payable for securities	255,000	0	0	17,687	0
Aggregate write-ins for liabilities	5,521,428	9,730,774	12,299,861	5,729,824	9,724,700
Total liabilities	190,599,398	248,613,603	299,927,255	184,833,927	352,164,677
Common capital stock	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Gross paid in and contributed surplus	20,000,162	20,000,162	20,000,162	20,000,162	20,000,162
Unassigned funds (surplus)	122,922,617	153,163,420	148,147,292	170,875,412	171,342,459
Surplus as regards policyholders	147,922,779	178,163,582	173,147,454	195,875,574	196,342,621
Totals	$ 338,522,177	$ 426,777,185	$ 473,074,709	$ 380,709,501	$ 548,507,298

Comparative Statement of Income
For the Year Ended December 31, 2017

Underwriting Income	2017	2016	2015	2014	2013
Premiums earned	$ 71,060,248	$ 76,841,364	$ 66,228,275	$ 39,910,229	$ 37,493,834
Deductions:					
Losses incurred	48,766,069	42,537,295	27,648,343	24,118,893	18,622,703
Loss expenses incurred	9,334,965	9,025,852	12,431,561	5,701,484	8,443,616
Other underwriting expenses incurred	28,195,498	31,948,836	19,786,104	16,077,965	16,033,606
Total underwriting deductions	86,296,532	83,511,983	59,866,008	45,898,342	43,099,925
Net underwriting gain or (loss)	(15,236,284)	(6,670,619)	6,362,267	(5,988,113)	(5,606,091)
Investment Income					
Net investment income earned	32,155,557	5,064,365	12,718,063	5,915,140	87,685,271
Net realized capital gains or (losses)	145,605	(38,966)	(53,786)	34,970,976	23,320,100
Net investment gain or (loss)	32,301,162	5,025,399	12,664,277	40,886,116	111,005,371
Other Income					
Net gain or (loss) from agents' or premium balances charged off	40,396	(8,003)	226,684	(2,838)	1,072
Aggregate write-ins for miscellaneous income	(450,345)	2,681,086	(411,169)	(497,009)	(176,831)
Total other income	(409,949)	2,673,083	(184,485)	(499,847)	(175,759)
Net income before dividends to policyholders and before federal and foreign income taxes	16,654,929	1,027,863	18,842,059	34,398,155	105,223,521
Federal and foreign income taxes incurred	(4,394,264)	477,982	4,831,775	(676,222)	(799,348)
Net income	$ 21,049,193	$ 549,881	$ 14,010,284	$ 35,074,377	$ 106,022,869

Comparative Statement of Capital and Surplus
For the Year Ended December 31, 2017

	2017	2016	2015	2014	2013
Surplus as regards policyholders,					
December 31, previous year	$ 178,163,582	$ 173,147,454	$ 195,875,574	$ 196,342,621	$ 301,476,217
Net income	21,049,193	549,881	14,010,284	35,074,377	106,022,869
Net unrealized capital gains or (losses)	(30,869,344)	4,737,260	(2,468,650)	(32,501,074)	(63,565,627)
Change in net unrealized foreign exchange capital gain or (loss)	0	0	0	(119,519)	249,975
Change in net deferred income tax	(3,029,822)	(290,444)	1,026,023	(643,692)	(2,280,001)
Change in nonadmitted assets	(118,652)	1,065,949	(381,947)	(2,434,148)	(137,643)
Change in provision for reinsurance	527,822	(1,046,518)	86,170	157,009	176,831
Dividends to stockholders	(17,800,000)	0	(35,000,000)	0	(145,600,000)
Change in surplus as regards policyholder for the year	(30,240,803)	5,016,128	(22,728,120)	(467,047)	(105,133,596)
Surplus as regards policyholders,					
December 31, current year	$ 147,922,779	$ 178,163,582	$ 173,147,454	$ 195,875,574	$ 196,342,621

Comparative Statement of Cash Flow
For the Year Ended December 31, 2017

	2017	2016	2015	2014	2013
Cash from Operations					
Premiums collected net of reinsurance	$ 67,136,375	$ 79,484,873	$ 80,026,045	$ 38,278,443	$ 37,799,104
Net investment income	33,439,415	7,430,034	15,460,341	88,986,492	7,456,925
Miscellaneous income	(409,949)	2,673,083	(184,485)	(499,847)	(175,759)
Total income	100,165,841	89,587,990	95,301,901	126,765,088	45,080,270
Benefit and loss related payments	22,957,406	66,191,088	42,596,021	21,091,752	21,348,153
Commissions, expenses paid and aggregate write-ins for deductions	36,280,292	42,731,010	34,478,886	24,688,593	26,083,700
Federal and foreign income taxes paid (recovered)	(3,046,695)	1,425,633	3,566,144	20,750,530	5,741,341
Total deductions	56,191,003	110,347,731	80,641,051	66,530,875	53,173,194
Net cash from operations	43,974,838	(20,759,741)	14,660,850	60,234,213	(8,092,924)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	142,294,102	106,051,237	59,332,866	74,169,767	42,184,189
Stocks	0	0	0	229,281,484	130,595,045
Net gain or (loss) on cash and short-term investments	10,834	0	0	1,612	0
Miscellaneous proceeds	255,000	1,016	5,163	549,984	0
Total investment proceeds	142,559,936	106,052,253	59,338,029	304,002,847	172,779,234
Cost of investments acquired (long-term only):					
Bonds	114,819,580	86,529,368	93,277,222	198,286,542	72,144,911
Stocks	0	0	0	26,480,614	89,338,715
Miscellaneous applications	1,028	0	17,687	0	325,701
Total investments acquired	114,820,608	86,529,368	93,294,909	224,767,156	161,809,327
Net cash from investments	27,739,328	19,522,885	(33,956,880)	79,235,691	10,969,907
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	52,800,000	0	0	145,600,000	0
Other cash provided or (applied)	(33,935,279)	(2,711,649)	29,551,028	2,216,205	(1,340,053)
Net cash from financing and miscellaneous sources	(86,735,279)	(2,711,649)	29,551,028	(143,383,795)	(1,340,053)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(15,021,113)	(3,948,505)	10,254,998	(3,913,891)	1,536,930
Cash and short-term investments:					
Beginning of the year	15,072,021	19,020,526	8,765,528	12,679,419	11,142,489
End of the year	$ 50,908	$ 15,072,021	$ 19,020,526	$ 8,765,528	$ 12,679,419

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2017, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	$ 205,373,417	77.6 %
Common stocks	59,168,659	22.4 %
Cash	50,908	0.0 %
Receivable for securities	2,450	0.0 %
Totals	$ 264,595,434	100.0 %

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	**Amount**	**Percentage**
1 - highest quality	$ 152,439,839	74.2 %
2 - high quality	52,933,579	25.8 %
Totals	$ 205,373,417	100.0 %

Years to Maturity	**Amount**	**Percentage**
1 year or less	$ 29,293,114	14.3 %
2 to 5 years	132,455,493	64.5 %
6 to 10 years	40,516,637	19.7 %
11 to 20 years	3,006,318	1.5 %
over 20 years	101,855	0.0 %
Totals	$ 205,373,417	100.0 %

The Company's investment portfolio ("portfolio") is managed by Wellington Management Company, LLC ("Wellington"). The management, supervision, and direction of the portfolio is subject to written investment guidelines determined by the Investment Committee of the Board of GIGI in compliance with 40 P.S. § 653b(b). The investment guidelines are reviewed and approved on an annual basis by the Board. The main objectives of the investment guidelines are as follows:

- Produce full market cycle after tax returns above the custom benchmark.
- Generate investment income in support of the business needs
- Preservation of principal

- Provision of liquidity
- AA-/Aa3 average credit quality

The provisions of the investment guidelines permit taxable and tax-exempt fixed income investments including corporate bonds and publicly traded and private equity investments. As demonstrated in the table above, the Company's portfolio primarily consists of high-quality bonds and common stock, which combined represented approximately seventy-eight percent of admitted assets for 2017. Investment transactions and returns are routinely monitored and/or approved by GIGI's Board on at least a quarterly basis to ensure compliance with the investment guidelines. As of December 31, 2017, the examiners determined that the Company was following its investment guidelines.

The Company entered into a custodial agreement with Brown Brothers Harriman & Co. ("BBH&Co."), a national banking and financial services company formed under the laws of the State of New York, effective April 2, 2009 and amended on October 7, 2014. The examiners determined that the custodial agreement does not comply with the following provisions of 31 Pa. Code § 148a.3:

- 31 Pa. Code § 148a.3(b)(2) - The custodian may not have a security interest or lien in any securities held under the agreement.
- 31 Pa. Code § 148a.3(b)(12) - The custodian shall provide the Department with written notice if the agreement is terminated or if 100% of the assets are withdrawn from one or more custodial accounts established under the agreement. The notice shall be directed to the attention of the Deputy Insurance Commissioner for the Office of Regulation of Companies and provided within 24 hours of the custodian's receipt of the insurer's notice terminating the agreement or within 24 hours of the withdrawal of 100% of the assets in one or more custodial accounts established under the agreement. The notice shall include the date of termination or 100% withdrawal and a list of the securities held on that date.
- 31 Pa. Code § 148a.3(b)(13)(ii) - The custodian shall provide the insurer with annual reports of the review of the insurer's trust accounts by the custodian's trust committee.
- 31 Pa. Code § 148a.3(b)(17)(iii) - Upon receipt of a written request signed by an authorized person, the custodian shall provide, within 30 days of receipt of the written request, an affidavit sworn to and subscribed by an authorized officer of the custodian and containing language substantially similar to the affidavit described within this specific section of the law.

It is recommended that the Company amend its custodial agreement with BBH&Co. to comply with all the requirements pursuant to 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of $58,645,678 for losses and $25,857,816 for loss adjustment expenses ("LAE") on the December 31, 2017 Annual Statement. These amounts represent the Company's share of reserves in accordance with the terms of the Reinsurance Pooling Agreement.

Brian Z. Brown, FCAS, MAAA, of Milliman, Inc. has been the Company's appointed actuary and provided a Statement of Actuarial Opinion ("Opinion") for all years in the examination period. For each year in the examination period, Mr. Brown issued an Opinion stating that the loss and LAE reserve amounts "make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements."

In order for the examination team to gain an adequate comfort level with the Company's loss and LAE reserve estimates, the Department retained the actuarial services of Merlinos & Associates, Inc. ("Merlinos") to perform a risk-focused review of the Company's reserving and pricing activities. Certain risk within these areas required Phase 5 substantive testing.

Based on the procedures performed and the results obtained by Merlinos, the examination team obtained sufficient documentation to support the conclusion that the Company's carried loss and LAE reserve amounts are reasonably stated as of December 31, 2017.

SUBSEQUENT EVENTS

Termination of Affiliate Reinsurance Agreement

As a result of the enactment of the Tax Cuts and Jobs Act, effective December 27, 2017, the Company determined that premiums being ceded under the intercompany GIRe Quota Share may potentially be subject to a ten percent base erosion minimum tax. As a result, the parties mutually agreed to terminate the GIRe Quota Share effective January 1, 2018. The termination was made on a run-off basis pursuant to paragraph C of Article III, Commencement and Termination, of the GIRe Quota Share. The transaction was properly filed with the Department pursuant to 40 P.S. § 991.1405(a)(2)(iii) on March 26, 2018 and was approved by the Department on April 25, 2018.

Amended and Restated Tax Sharing Agreement

Effective December 31, 2018, the Tax Sharing Agreement was amended to change the Insurer Member Provisions and Tax Sharing Payment paragraphs to match GIGI's current settlement practices with its insurer subsidiaries. The amendment to the Tax Sharing Agreement was properly filed with the Department pursuant to 40 P.S. § 991.1405(a)(2)(iii) and was approved by the Department on January 10, 2019.

Reinsurance Pooling Agreement

The Company amended its Reinsurance Pooling Agreement effective December 31, 2018. Under the amended Reinsurance Pooling Agreement, the Company retrocedes pooled net retained premiums and net retained liabilities to the pool members in the following fixed participation percentages:

United National Insurance Company (Lead Company)	30.0%
American Reliable Insurance Company	30.0%
Penn-Star Insurance Company	16.0%
Diamond State Insurance Company	12.0%
Penn-Patriot Insurance Company	7.0%
Penn-America Insurance Company	5.0%

The amendment to the Reinsurance Pooling Agreement was properly filed with the Department pursuant to 40 P.S. § 991.1405(a)(2)(iii) and was approved by the Department on January 10, 2019.

Officer Succession

The Company's Executive Vice President of Commercial Lines, Matthew B. Scott, passed away on January 3, 2019. On February 4, 2019, Jonathan Oltman was appointed as the Company's Executive Vice President of Commercial Lines.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained the following recommendations:

1. It is recommended the Company hold the shareholder meetings in accordance with the provisions of its by-laws and pursuant to the requirements of 15 Pa C.S. § 1755(a).

   The Company has complied with this recommendation.

2. It is recommended that the Company amend the custodial agreement with Brown Brothers Harriman & Co. dated April 2, 2009 to comply with the provisions of 31 Pa. Code § 148a.3(b)(2). It is further recommended that the Company's Board of Directors or an authorized committee of its Board of Directors approve the custodial agreement pursuant to the requirements of 31 Pa. Code § 148a.3(a)(2).

   The Company has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination the following recommendation is being made:

1. ***It is recommended that the Company amend its custodial agreement with BBH&Co. to comply with all the requirements pursuant to 31 Pa. Code § 148a.3.***

CONCLUSION

As a result of this examination, the financial condition of United National Insurance Company, as of December 31, 2017, was determined to be as follows:

		Amount	Percentage
Admitted assets	$	338,522,177	100.0 %
Liabilities	$	190,599,398	56.3 %
Surplus as regards policyholders		147,922,779	43.7 %
Total liabilities and surplus	$	338,522,177	100.0 %

Since the previous examination, made as of December 31, 2012, the Company's assets decreased by $163,706,466, its liabilities decreased by $10,153,028, and its surplus decreased by $153,553,438.

This examination was conducted by John Garner, CPA, Ryan Monahan, CFE, Pamela Roberts, Aaron Phillips, CFE, CISA, Brandon C. Thomas, HISP, MCM, Cecil W. Thomas, CFE, CIE, MCM, and D. Patrick Huth, CFE, with the latter in charge.

Respectfully,

Melissa L. Greiner
Director
Bureau of Financial Examinations

David R. Evans, CFE
Examination Manager

Patrick Huth - LT

D. Patrick Huth, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies